[Mr. S. Paramesvara Aiyar.]

MR. S. PARAMESVARA AIYAR (*Secretary to Government*): That refers to a different contract altogether in respect of which I have not got the information ready here.

MR. A. HOOGEWERF (*Nominated*): Was not the import and sale system tried at Alleppey in 1085 and 1086, the contract being given to three contractors and did not the system fail?

MR. S. PARAMESVARA AIYAR (*Secretary to Government*): That contract refers to an old period; and the records must be looked into before any reply could be given.

MR. A. HOOGEWERF (*Nominated*): Was not the supply and sale system prevailing in Munambam? Why was it stopped?

MR. S. PARAMESVARA AIYAR (*Secretary to Government*): I have not got the information ready in regard to that arrangement.

Contract with Mr. Subrahmanya Karayalar for Salt.

72. MR. A. HOOGEWERF (*Nominated*): With reference to the answer to question No. 231 asked at the meeting of the Legislative Council held on the 18th April, 1923, regarding the supply and sale of local salt at Alleppey, will the Government be pleased to state:

(*a*) the circumstances under which the contractor could not perform his part of the contract for 1095;

(*b*) why the contract was not put up to public auction;

(*c*) the average quantity of salt arranged to be transported and sold a year;

(*d*) whether there was any necessity for giving Mr. Karayalar such a monopoly;

(*e*) whether Government will not incur a loss by this arrangement, and if so, what the annual loss will be on this account;

(*f*) whether the *mel-labham* which now accrues to the Government as gain will not be lost by this arrangement;

(*g*) the quantity of salt belonging to Mr. Karayalar lost during the recent floods;

(*h*) whether any consideration of this loss weighed with the Government in expediting the carrying out of Mr. Karayalar's undertaking to transport and sell home-made salt; and

(*i*) whether Mr. Karayalar had been often complaining that his salt was not made use of for sale?

MR. S. PARAMESVARA AIYAR (*Secretary to Government*):

(*a*) The contractor did not refuse to perform his part of the contract in 1095.

(*b*) There was more than one application for the contract and they were all considered before Mr. Karayalar's application was accepted.

LIBRARY ARCHIVES Kerala Legislative Assembly

(*c*) The quantity depends upon the actual requirements of each year. For 1098, it was three lakhs of maunds.

(*d*) It must have been considered necessary at the time.

(*e*) and (*f*) There might be some loss, but the Government apparently thought at the time of giving the contract that it was worth while incurring the loss, with a view to give a trial to the system which was advocated by the Excise Commissioner. It is not possible to calculate the annual loss, if any. The agreement provides for the payment of *mel-labham* to Government.

(*g*) A quantity of 1,11,390 maunds of salt belonging to Mr. Karayalar was lost in the floods.

(*h*) No. The contract for the transport of local salt had been concluded before the loss by the cyclone occurred.

(*i*) Mr. Karayalar petitioned the Excise Commissioner once, but that petition does not relate to the salt concerned in the contract referred to in the other parts of the question.

The following additional information is laid on the table in connection with this contract :—

Up to 1095, Government were selling local salt at Alleppey from their depôt and not the stock required therefor from the factories at Tamaracolam through transport contractors. At that time Government were realising about 6 annas per maund in addition to duty and cost price to cover wastage, transport, establishment and other charges.

In 1095 (22nd April, 1920), Government, in consultation with the then Excise Commissioner, decided to give a trial to the policy of levying duty and *kudivila* alone on salt and leaving the transport and sale of the same to private enterprise and accepted accordingly an offer from Mr. Subrahmanya Karayalar for the transport and sale of Tamaracolam salt at Alleppey for three years in such quantities as might be fixed from year to year subject to the condition that he should pay one anna per maund to Government towards charges for establishment, supervision and godowns.

In 1095 and 1096 the output of salt at Tamaracolam being very small, Government were unable to perform their portion of the agreement and it was therefore agreed between the Government and Mr. Karayalar that the latter should have the benefit of the contract for three years from 1097.

In the beginning of 1097 there was a stock of 3,44,300 maunds of salt at Tamaracolam. Under the terms of the agreement the Government had a right to retain a reserve stock at the Tamaracolam factories to keep down local prices and they were bound to sell the balance to Mr. Karayalar for transport to Alleppey. But the needs of Trivandrum did not permit this being done and effect being given to the contract in 1097 also. Mr. Karayalar then sent a notice of suit to Government under Section 409 of the Civil Procedure Code. Government referred the notice to their Law Officers, who recorded the opinion that there was a binding

LIBRARY ARCHIVES Kerala Legislative Assembly

[Mr. A. Hoogewerf.]

contract, that the Government had committed a breach of the agreement, that Mr. Karayalar had a fairly good case, that if allowed to go to a court of law, he might obtain a decree for damages, and that a compromise with him would be the best under the circumstances. Accordingly, after considerable negotiation, a fresh agreement was arranged for with Mr. Karayalar on the understanding that he waived his rights for damages arising from the non-performance of the original contract by Government. Under the revised agreement, the contract should subsist for 1098, 1099, 1100 and 1101 and the amount payable to Government was to be 6 pies per maund. Mr. Karayalar should take delivery of 3 lakhs of maunds of salt in 1098 and such quantities as might be fixed by Government in subsequent years from the factories of Tamaracolam.

Before the formal agreement could be signed, the cyclone of the 14th Vrischikam, 1098, destroyed the stock of salt at Tamaracolam, and in view of this mishap which rendered the new agreement incapable of performance, it had to be still further altered. As finally arranged the following are the terms of Mr. Karayalar's contract :—

(i) that Mr. Karayalar will transport and sell during 1098 not more than 3 lakhs of maunds of Tuticorin salt and such quantities during the three succeeding years as may be required to make up 3 lakhs of maunds of salt each year when taken together with the Tamaracolam salt that may be declared by Government to be available for transport to and sale at Alleppey;

(ii) that he should sell the salt at Alleppey during 1098 at Bh. Rs. 2 as. 4 per maund and that he should pay a commission to Government of one anna and six pies per maund;

(iii) that the term of four years allowed for the Tamaracolam salt contract should be reduced by the number of years during which Mr. Karayalar is allowed to transport and sell Tuticorin salt;

(iv) that the sale price of Tuticorin salt at Alleppey for 1099 and for each of the subsequent years will be fixed by Government at the proper time according to the prevailing prices of salt at Tuticorin; and

(v) that, if in the sale at the Alleppey depôt Mr. Karayalar fails to conform himself to the issue price fixed by Government, it will be open to Government to appropriate the remaining quantity of salt at Alleppey on paying 10 annas per maund to him and sell the same through Government agency.

It has to be noted that Bh. Rs. 2 as. 4 was fixed as the selling price of salt for 1098 as there was no home-made salt available at Tamaracolam for transport to Alleppey in that year and as the price of both Tinnevelly and Bombay salt at Alleppey at the beginning of 1098 stood at that figure.

MR. A. HOOGEWERF (*Nominated*): With respect to part (*b*), my question is why the contract was not put up to public auction.

LIBRARY ARCHIVES Kerala Legislative Assembly

PRESIDENT: That is given in the reply itself. It is answered in parts (*e*) and (*f*). Government wanted to try that system.

MR. A. HOOGEWERF (*Nominated*): Are there not records to show the reasons why it was considered necessary at that time?

MR. S. PARAMESVARA AIYAR (*Secretary to Government*): Government wanted to try the experiment of the sale of salt by contractors instead of undertaking it direct themselves.

MR A. HOOGEWERF (*Nominated*): With reference to parts (*e*) and (*f*), what is the loss?

MR S. PARAMESVARA AIYAR (*Secretary to Government*): It is stated in the answer that it is not possible to calculate the loss, if any.

MR. A. HOOGEWERF (*Nominated*): What is the advantage, if any, in giving the sale of salt to a contractor?

MR. S. PARAMESVARA AIYAR (*Secretary to Government*): It is a well-recognised principle that Government should not engage themselves in trade wherever private agencies can be had for the purpose; and that principle applies to salt also.

MR. A. HOOGEWERF (*Nominated*): Has it not ended in disaster?

MR. S. PARAMESVARA AIYAR (*Secretary to Government*): Government are not aware.

Mr. Subrahmanya Karayalar's Salt Contract.

73. MR. N. RAMAKRISHNA PILLAI (*Vaikam* cum *Ettumanur*): Will the Government be pleased to say:

(*a*) whether Mr. S. Subrahmanya Karayalar sent any notice of suit against the Government towards the end of 1098 or the beginning of 1099 for damages on account of the loss of salt in the cyclone;

(*b*) whether any new concession has been given to Mr. Subrahmanya Karayalar for the transport or supply of salt besides the concession given before; and

(*c*) what the approximate loss to the Government under the item of recoveries on account of the concessions given to Mr. Subrahmanya Karayalar is?

MR. S. PARAMESVARA AIYAR (*Secretary to Government*):

(*a*) Yes. But he withdrew it soon afterwards.

(*b*) No new concession has been given. Mr. Karayalar has been allowed to transport and sell Tuticorin salt until home salt becomes available.

(*c*) The member is referred to the answer to part (*e*) of question No. 72.

LIBRARY ARCHIVES Kerala Legislative Assembly